



Declassified in Part - Sanitized Copy Approved for Release 2013/01/11 : CIA-RDP88T00091R000500230001-7

	op	Seci	ret	
1				

25X1

25X1

25X1

25X1

# **Contents**

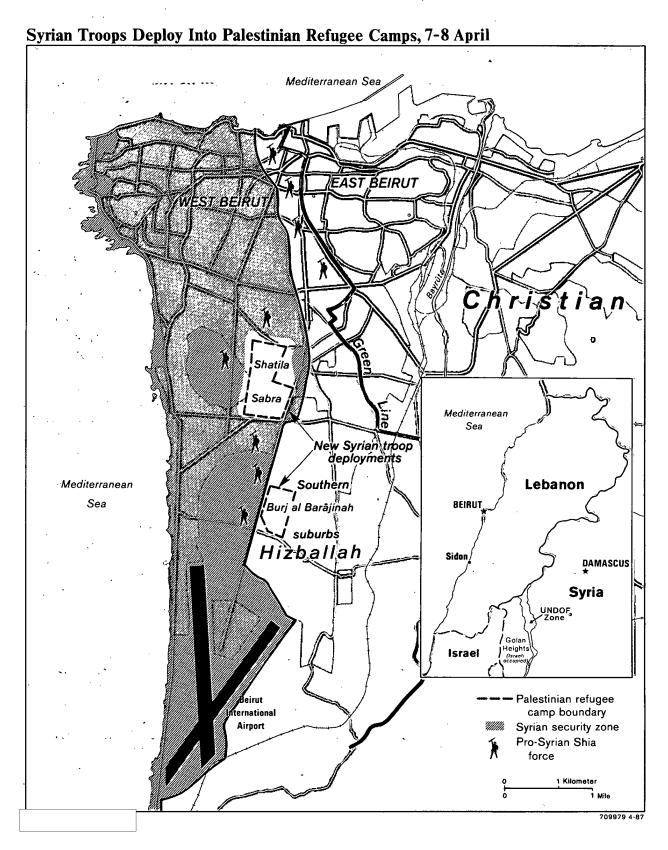
Brazil: Debt Commission Created	8
Argentina: Economic Difficulties Continue	8
New Zealand: Exemption to Antinuclear Policy	7
Canada-US: Reactions to Ottawa Summit	7
Iran-Iraq: Fighting Continues on Southern Front	6
Notes	
South Korea: Old Pols in New Party	4
Syria-Lebanon: Syrians Lift Siege of Palestinian Camps	3
Arab League: Foreign Ministers Reach Consensus	2
Chad-Libya: Military Developments	1

Top Secret



	Top Secret	
		25X
CHAD-LIBYA:	Military Developments	X
	Chad's President Habre appears determined to press his military advantage in the north, but materiel and logistic problems may	25X
	Tripoli believes Chadian forces may be planning a two-pronged assault on Libvan positions in the Tibesti mountains.	25X 5X1
	1,000-man force reportedly will move from Faya-Largeau to attack	25X
	Libyans near Zouar in preparation for an eventual offensive against Bardai, the last Libyan stronghold south of the Aozou Strip,	5X1 25X1 25X1
	The US-Embassy reports that the Chadians	Reported
25 <b>X</b> 1	urgently need vehicles and spare parts for the Tibesti campaign despite the equipment captured at Ouadi Doum. 25X1(1	
	Libyan forces still hold garrisons at Aozou, Bardai, and Yebbi-Bou.	25X1
		25X
		25X 25X
	Comment: N'Djamena hopes to win a quick victory in the Tibesti area and then move on to the Aozou Strip. Although materiel shortages and the absence of Habre's two top military commanders—both being treated for battle wounds—may cause short delays, the Chadian President evidently wants to strike before the Libyans can consolidate their positions and before the onset of Ramadan—the Islamic month of fasting—at the end of this month.	25X
	Tripoli appears to be trying to regroup its units for the expected Chadian assault on Aozou and possibly on Ma'tan as Sarra. It is unclear whether Libyan leader Qadhafi has decided to reinforce Aozou; he still may be counting on the Libyan forces that withdrew	20/
	from the southern Tibesti to hold a defensive line south of the airfield	
	from the southern Tibesti to hold a defensive line south of the airfield at Aozou.	<sup>-</sup> 25 <b>X</b>
		225X 25X 25X 25X

	Top Secret	25 <b>X</b> 1
no		
∥ ' ¨ ARAB LEAGUE:	Foreign Ministers Reach Consensus	$\langle$
	on I April Arab League Secretary General Klibi <del>yesterday</del> announced that	25 <b>X</b> 1
	member states support Egypt's return to the League and that their foreign ministers this week reached a rare consensus on several other major regional issues.	25 <b>X</b> 1
<u> </u>	Klibi's statement on Egypt's prospective reentry was made during a	
on to April	nume conference to discuse the recults of the foreign ministers?	
•	Cairo and the other Arab states to work together to accomplish Egypt's return.	25X1
	Egypt 3 return.	
	The US Embassy in Tunis reports the League's foreign ministers failed to issue a final communique but unanimously adopted resolutions that call for Iran to accept a cease-fire with Iraq and for League mediation to end the camps war in Lebanon. They also reached consensus on support for a UN-sponsored international conference	25X1
	on the Arab-Israeli conflict and for a text, backed by Syria, on the issue of terrorism.	25 <b>X</b> 1
	Saudi Foreign Minister Saud according to US Embassy sources, helped orchestrate the consensus reached on key issues. The Saudis forestalled Syrian or Libyan opposition to the Iran-Iraq war resolution by avoiding direct condemnation of Tehran. Klibi said that Saudi	
	Arabia was preparing to host the long-overdue Arab summit, and US Embassy reporting indicates he has urged the Arab states to use the	25 <b>X</b> 1
	new consensus to work toward convening a summit.	25 <b>X</b> 1
	Comment: It remains unclear whether Klibi's statements about Egypt accurately reflect the views of League members; there appears to be no indication the League has taken any official action toward Egypt's reintegration. Nevertheless, Klibi's statements confirm the importance that moderate Arabs attach to Egypt's return as a counter	05.77
	to Iran and to the influence of the radical Arab states	25 <b>X</b> 1
	The Saudis are using their role as the current League chairman to set the stage for a summit in Riyadh by seeking to eliminate disagreements that have prevented a regular summit since 1982. Syria's acceptance of resolutions on the Iran-Iraq war and the camps war underscores President Assad's continued resolve to placate moderate Arabs but does not suggest any fundamental change in Syria's policy on Iran and the PLO. The absence of a communique	
	probably indicates continued divisions among the Arab states; the equivocal language of the resolutions gives Syria wide latitude for	
	interpretation.	25 <b>X</b> 1



25**X**1

Top Secret

9 April 1987

Declassified in Part - Sanitized 0	Copy Approved for Release 2013/01/11 : CIA-RDP88T00091R0005002300 <b>Top Secret</b>	001-7
		25 <b>X</b> 1
,		
		25 <b>X</b> 1
SYRIA-LEBANON:	Syrians Lift Siege of Palestinian Camps	
	Damascus hopes to forestall criticism of its role in the camps war at the coming Palestinian National Congress by allowing	25 <b>X</b> 1
· · · · · ·	food and medical help into the besieged Palestinian refugee camps in West Beirut and by restraining its ally, the Shia Amal,	25X1
	from breaking the current cease-fire.	25X1
•	Press sources report that about 60/Syrian troops occupied positions	
	in and around the Shatila camp on <del>Juesday</del> and that several hundred additional troops fanned out through the larger Burj al Barajinah	
on & april -	camp yesterday.	25X1
or 8 april -		25X1 25X1
		25X1
	Comment: Syria probably seeks to project a more humanitarian image in the refugee camps at least until the Palestinian National	
	Congress, scheduled for 20 April, and is likely to insist that UN relief supplies be allowed into the camps. Damascus is anxious to avoid a confrontation with Hizballah at this time and may have used a larger number of troops at the Burj al Barajinah camp in the Hizballah-	
	controlled southern suburbs to discourage any small-scale clash from getting out of hand.	25X1
	Additional small clashes between Syrian soldiers and Shia fighters are likely, particularly if Damascus seeks to force Amal to give up its positions without similar concessions from the Palestinians in the Sidon area. Syrian troops probably will try to avoid clashes with Palestinian fighters in the camps by postponing major efforts to	
	disarm them until after the Palestinian National Congress.	25X1 25X1

Comment: Despite the government's efforts, the two Kims appear to have persuaded party moderates to join their followers in the new group, creating a streamlined, more unified version of the old party. The large number of defectors makes the new party the largest opposition element, giving it the leading role in negotiating with the ruling party in the legislature.

President Chun has repeatedly refused to meet with the two Kims, in part because such a meeting would give legitimacy to their claim to overall leadership of the political opposition and abet their efforts to forge a more cohesive opposition party.

Once Kim Young Sam becomes a party president, however, the opposition can push more forcefully for a meeting in which its key demand—direct presidential elections—is certain to be raised. Any government effort to use remnants of the New Korea Democratic Party to pass the ruling party's constitutional reform proposal in the legislature would still require the backing of other minor opposition parties.

Chun is likely to direct the security services to continue their efforts to

Top Secret

9 April 1987

25X1

25X1

25X1

25X1

25X1

smear the two Kims publicly.

Next 1 Page(s) In Document Denied

25**X**1

25X1

25X1

25X1

Declassified in F	Part - Sanitized C	opy Approved for Release 2013/01/11 : CIA-RDP88T00091R000500230 <b>Top Secret</b>	0001-7
			25 <b>X</b>
			25X 25X
		IRAN-IRAQ: Fighting Continues on Southern Front	25X
		Intense fighting in the Iran-Iraq war is likely to continue near Fish Lake east of Al Basrah,	25 <b>X</b> 1
	on 8 april	Baghdad claims it repelled two Iranian attacks along the Jasim River between Fish Lake and the	25X1
		Shatt al-Arab waterway, but it admits Iranian units pushed back elements of two Iraqi divisions near Fish Lake.	25X 25X
		Comment: Baghdad's admission of even a limited Iranian advance is unusual. It suggests that the Iraqi regime may be trying to prepare the public for another prolonged battle. Most of Iraq's infantry, armor, and artillery are deployed on the southern front, mainly committed to the defense of Al Basrah. An Iranian attack on the central front would	
		probably be intended as a diversion to draw Iraqi units from the south, making it easier for Tehran's forces to consolidate gains east of Al Basrah or to launch an attack against more lightly defended Iraqi positions in the south, such as those near Umm Qasr.	25X
			25X
			05.74
			25X1
			, ,

25X1

10

# **CANADA-US: Reactions to Ottawa Summit**

The Canadian Government views President Reagan's visit to Ottawa this week as a moderate success and is now looking for ways to build on it. Prime Minister Mulroney was particularly pleased with the President's strong endorsement of a freer bilateral trade pact, according to press reports. Canadian officials also have welcomed the President's promise to consider negotiating an accord on acid rain and his pledge to give a new impetus to talks on Ottawa's claim

to sovereignty over the Northwest Passage.

Comment: Mulroney hopes for further US actions to help him confront critics who claim that the summit produced no tangible benefit for Canada. Ottawa will almost certainly attempt to capitalize on the President's promise on acid rain by pressing Washington for talks on a pact setting timetables for pollution reduction. Canada is likely to continue insisting that US ships ask permission for transits of the Northwest Passage and might respond to an overt US challenge to Canada's position by taking the issue to the International Court of Justice.

25X1

25X1

no

### **NEW ZEALAND: Exemption to Antinuclear Policy**

New Zealand's Prime Minister Lange said Tuesday that US planes and ships arriving in Christchurch in support of the US Navy's "Operation Deep Freeze" in the Antarctic would be exempted from antinuclear legislation pending in parliament. He affirmed that Wellington does not regard "Deep Freeze" as a military operation. Former Prime Minister Muldoon, the opposition National Party's spokesman for foreign affairs, is arguing that passage of the antinuclear bill would force the US to leave Christchurch. According to the US Embassy, the legislation might be enacted as early as next month

25X1

Comment: Lange probably is anxious to keep the US presence in Christchurch to counter the opposition's arguments that his antinuclear policies have undermined relations with Washington. New Zealand must hold a national election by September. Officials claim that the exemption of "Operation Deep Freeze" from the antinuclear legislation cannot be challenged in court, according to the US Embassy. Muldoon's efforts to embarrass Lange almost certainly will encourage antinuclear groups to increase their criticism of the facilities at Christchurch being made available to the US. Despite the government's view, they might attempt a legal challenge to the exemption.

25X1

Top Secret

25X1

no

### **ARGENTINA: Economic Difficulties Continue**

Argentine President Alfonsin has experienced a setback for his month-old economic adjustment program aimed at freezing prices and wages, halving interest rates, and devaluing the austral. Argentine consumer prices increased 8.2 percent last month—160 percent on an annual basis—as compared with a 6.5-percent increase in February. Regulated real interest rates have turned sharply negative, and the gap between the official and parallel exchange rates has risen 20 percentage points over the past month.

25X1

**Comment:** The congressional election in September practically ensures that the government—as part of its strategy to splinter organized labor and the Peronist opposition—will soon grant significant wage increases. Alfonsin is likely to implement modest monetary tightening and limit economic liberalization, however, to appease his economic team and reduce inflation.

25X1

# **BRAZIL: Debt Commission Created**

25**X**1

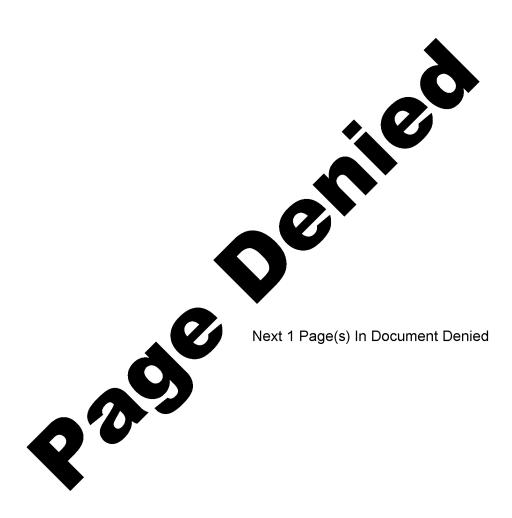
Brazilian President Sarney has announced the formation of an advisory commission for negotiating his country's foreign debt. Finance Minister Funaro will preside over the commission, and former Foreign Minister Guerreiro will conduct debt negotiations under Funaro's direction. Most other members of the commission are senior officials in the Finance Ministry and the Central Bank who have been involved with external debt issues for some time.

25X1

Comment: The new commission ratifies the status quo, with Funaro dominating economic and debt policy. Sarney apparently backed down from his plans, announced earlier, to appoint a committee of pragmatic senior businessmen to negotiate the debt. The appointment of Guerreiro—a career diplomat with no experience in handling foreign debt issues—is another attempt by Brasilia to move the debt issue from the economic arena to a political forum.

25X1

Top Secret



25X1

·	In Brief
USSR	- Soviet First Deputy Foreign Minister Vorontsov told foreign diplomat Syrian President Assad will arrive in Moscow on 20 April, according to US Embassy there first time date specified.
	Israeli Foreign Minister Peres met high-level Soviet officials in Rome Tuesday, yesterday Soviets reportedly delivered message from Gorbachev on participation in proposed Middle East conference Peres said to be pleased with meetings.
Middle East	Ethiopian leader Mengistu opening visit to Cairo resource management of Nile waters, Horn conflicts, economic cooperation probably on agenda hopes to weaken Egyptian-Sudanese ties Mubarak pursuing activist regional diplomacy.
	253
	Israel for first time has ordered demolition of buildings illegally built by settlers on West Bank, according to press also razing some Palestinian homes built without permits will anger settlers already upset about slow pace of settlement.
OT .	- Libyan leader Qadhafi yesterday publicly called for end to Iran- Iraq war yesterday praised both countries, avoided criticizing either leader probably meets Baghdad's basic precondition for negotiating restoration of diplomatic relations.
Africa <sub>.</sub>	— Chadian rebel leader Goukouni in Ivory Coast seeking brokered reconciliation talks with President Habre, according to US  Embassy in Abidian face-to-face meeting with Habre not yet scheduled.
	70 - 25% X

continued

Top Secret

East Asia	Japanese leaders appear ready to delay controversial sales tax for one year, according to press might allow passage of fiscal 1987 budget, discussion of economic stimulus package before Prime Minister Nakasone's trip to US late this month.	ς χ
	110-	
	— China to offer western Taiwan Strait for foreign oil, gas exploration foreign firms probably uninterested because of poor results elsewhere off China, concern about possible territorial dispute  Taiwan may protest, but further action unlikely.	X
Europe	Low-level radiation found in <b>West German</b> milk, according to mid March press reports West German agricultural organization urging dairy advertisers not to make issue of it radiation probably from <b>Soviet</b> nuclear test in late February.	- X
Americas	Bolivia granting PLO all privileges short of full diplomatic status probably unilateral move by left-leaning Foreign Minister Bedregal	
	TO - St. Lucia's Prime Minister Compton retained control of 17-member parliament by one seat in national election Monday, according to press reports ensures his ability to maintain pro-US policies.	X
South Asia	- Sri Lankan President Jayewardene to offer general cease-fire to Tamil insurgents this week according to US Embassy wants to swap Tamil detainees for recently captured government soldiers insurgents may accept to gain time to regroup.	)

# Trade Outlook for East Asian NICs, 1987 at a Glance \*

Billion US \$

	Trade Surplus	Current Account Surplus	Trade Surplus With US	Comment
South Korea	5.0	7.0	10.0	Trade surplus increases by one-half as the won appreciates only marginally and growth slows to 8 percent, down from 12 percent. Tariffs drop as import rules liberalized, but impediments to service and agricultural imports remain. Capital
•			the Andrew Mark William and State Andrew Mark William and State Andrew Mark Mark Mark Mark Mark Mark Mark Mark	markets remain closed to foreigners;
Taiwan	19.2	20.1	16.1	Trade surplus continues to rise as growth slows to 8 percent, down from 11 percent. Modest tariff cuts, strong local investment prevent surplus from rising even more rapidly. Reserves will exceed \$60 billion by end of year.
Hong Kong	-0.7	1.2	6.0	Hong Kong dollar remains fixed against US dollar; exports to EC, as in case of Taiwan, grow further as a result. Imports more robust than last year, however.
Singapore	-3.3	-0.5	0.8	Trade deficit grows as economy reinflates with end of recession. Cuts in business taxes and social security contributions should help investment and exports. Recovery in electronics industry under way. Capital account surplus offsets trade deficit, contributing to further growth of reserves.
Totals	20.2	27.8	32.9	

<sup>\*</sup> Exports f.o.b., imports c.i.f. Forecasts derived from US Embassy reporting and various private consulting services.

**Top Secret** 

9 April 1987

25X1

T	0	p	S	е	C	r	е	t	

25X1

# **Special Analysis**

### **EAST ASIA-US:**

# **Resisting Pressure on Currencies**

10

Hong Kong and the newly industrializing countries of East Asia—South Korea, Taiwan, and Singapore—appear destined this year to exceed the combined \$30 billion trade surplus they had with the US last year, despite Washington's pressure to reduce the imbalance. They will continue to keep their exports competitive by using policies that cheapen their currencies against the yen by maintaining their parity with the dollar. In an attempt to ease friction with Washington, the NICs will probably seek to resist pressures to realign their exchange rates by making concessions on other issues, such as financial reform and tariff reductions. Such a move would yield only modest changes in their trade accounts in the near term and would work to strengthen their export sectors over the long run.

25X1

The East Asian NICs tripled their share of world exports during the past two decades and ran current account surpluses of more than \$22 billion last year. This represents about 10 percent of their combined GNPs—more than twice, in relative terms, the size of Japan's surplus. South Korea hopes to use its repeated current account surpluses to reduce the size of its \$45 billion foreign debt, a process it began last year.

25X1 -

A key element in the growth of this surplus has been access by the NICs to the US market, which accounts for most of the growth in their exports over the past five years. South Korea and Taiwan, which have two-thirds of the US merchandise trade deficit with the NICs, are also running surpluses with other trading partners. Hong Kong and Singapore, in contrast, have used the US market to offset their deficits with other countries.

25X1

Each of these NICs continues to run large trade deficits with Japan. However, since mid-1985, when the yen began its climb against the US dollar, the NICs have used their developing price advantage to displace as much as \$5 billion in Japan's exports of automobiles, electronics, textiles, and other goods, primarily to the US. A small portion of the NIC surplus comes from locally based, Japanese-owned assembly operations; such "platform exports" are still generated chiefly by such LDCs in Southeast Asia as Thailand and Malaysia.

25X1

# The NICs' Policy Agenda

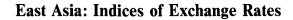
The NICs will strongly resist drastic changes in their most powerful policy tool, the exchange rate, to promote more balanced trade

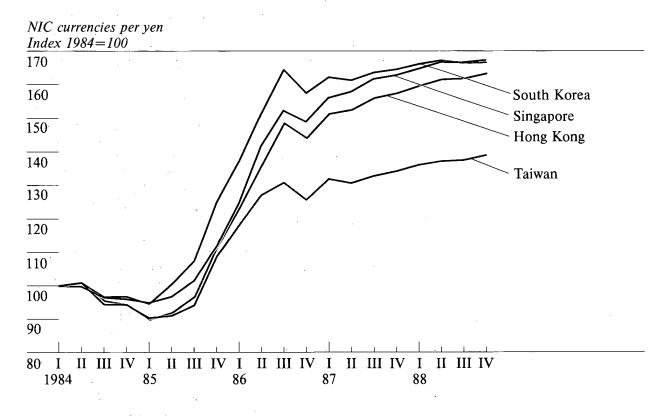
continued

Top Secret

25**X**1

9 April 1987





312390 4-87

Top Secret

9 April 1987

25X1

Declassified in Part - Sanitized Copy Approved for Release 2013/01/11: CIA-RDP88T00091R000500230001-7 **Top Secret** 25X1 accounts. Seoul reportedly has studied the feasibility of revaluing the won but fears such a move would severely damage South Korean export enterprises and create unemployment. 25X1 The same reasoning appears to apply in Taipei since one-half of its GNP is exported, and the domestic press continues to criticize US pressure for currency realignment. 25X1 25X1 More acceptable alternatives to Taiwan and South Korea would be a modest easing of their still strict regulation of private capital movements, which would appreciate their currencies gradually, and further concessions on their still high tariffs. Progress in Taipei will be

More acceptable alternatives to Taiwan and South Korea would be a modest easing of their still strict regulation of private capital movements, which would appreciate their currencies gradually, and further concessions on their still high tariffs. Progress in Taipei will be slow, however, because of its concern that liberalization of exchange controls would expose the new Taiwan dollar to speculative pressures. Several economic ministries appear to believe that, to provide a cushion against such a development, Taipei would have to keep its enormous foreign reserves of \$53 billion intact.

In Seoul, political tensions related to the presidential succession have made the leadership particularly sensitive to exposing the won to foreign exchange deregulation. And senior officials in Hong Kong are concerned that any appreciation of its exchange rate would promote future speculation against the Hong Kong dollar, a fear aggravated by the territory's planned transition to Chinese sovereignty in 1997.

#### Outlook

The probability that the pace of policy adjustment in the NICs will be slow suggests their surpluses will continue for at least the next year, risking increasingly contentious disagreements over economic policy with their trading partners. Financial and tariff liberalization may reduce their surpluses after next year but will contribute to even stronger currencies in the early 1990s by forcing their manufacturing sectors to become more efficient.

Top Secret

25X1

25X1

25X1

25X1

This shift in West German views is only partly a result of Gorbachev's public relations efforts. There is a national consensus in West Germany in favor of detente, which strongly encourages an optimistic view of Soviet intentions. Even conservative West German politicians have done little to correct the public's ignorance about arms issues or its complacency toward Moscow's intentions.

25X1

The changing perceptions of Soviet policies will reinforce Bonn's inclination to press for Soviet-US arms agreements and expanded East-West economic ties. Genscher has gone the furthest in the governing coalition in demanding a positive Western response to Gorbachev, but Chancellor Kohl's Christian Democrats will be competing with the Foreign Minister's Free Democrats for public recognition as champions of detente. The opposition Social Democrats will argue, however, that their longstanding, comparatively benign view of Soviet foreign policy has proven correct.

25X1

#### **Limits of Moscow's Gains**

Soviet actions and propaganda may be generating exaggerated expectations that Moscow will introduce even more fundamental changes in its domestic and foreign policies. Gorbachev's domestic reforms are already focusing greater attention in West German media on continuing Soviet abuses of human rights. Moscow's peace offensive has probably created the expectation that the Soviets will accept meaningful verification measures in an arms control agreement.

25X1

West German public expectations of greatly expanded economic ties may also be exaggerated. The two sides have widely differing objectives for pursuing joint ventures, and the prospects for greater trade are limited.

25X1

Progress on arms control may cause West Germans to take a more sober view of the East-West military balance. The prospect of an INF agreement has already caused some journalists and politicians to highlight Soviet superiority in conventional forces and short-range missiles

25X1

Top Secret

25X1

15

Declassified in Part	Sanitized Copy Appro	ved for Release 2013/01/11 : CIA-R	DP88T00091R000500230001-7
10p Gecret			25 <b>X</b> 1
			ž
		•	•
			·
			25X1
		·	
			·
		•	